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Message Text

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ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 ACDA-10 PM-03 SP-01

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TRSE-00 EB-03 OMB-01 DRC-01 /066 W
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TO SECSTATE WASHDC PRIORITY 5834
SECDEF WASHDC PRIOTITY
INFO ALL NATO CAPITALS 4007
USNMR SHAPE
USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 2832

LIMDIS

E.O. 11652: GDS
TAGS: NATO, PFOR, XG, EFIN
SUBJECT: EUROGROUP: UK DISCUSSION PAPER ON EUROPEAN ARMS INDUSTRY

SUMMARY: IN EUROGROUP DISCUSSION PAPER PROVIDED INFORMALLY TO MISSION, UK POINTS OUT DILEMMA OF MAINTAINING U.S. ORIENTATION IN PROCUREMENT, STANDARDIZING EQUIPMENT, AND STILL KEEPING UP A HEALTHY EUROPEAN ARMAMENTS INDUSTRY. PAPER RAISES QUESTION WHETHER U.S. IS "PREPARED TO RECOGNIZE.... THAT THERE MUST BE TYPES OF EQUIPMENT ON WHICH ALL THE ALLIES NEED TO 'BUY EUROPEAN'." WE HAVE ASDED UK DEL TO KEEP US ABREAST OF STAFF-LEVEL DISCUSSION OF THEIR PAPER, WHICH UK FORESEES FORWARDING TO EUROGROUP MINISTERS IN JUNE. END SUMMARY

1. AT LONDON REQUEST, UK DELOFF WHO SERVES AS SECRETARY OF EUROGROUP STAFF GROUP PROVIDED MISSION WITH COPY OF UK DISCUSSION PAPER ENTITLED "THE ROLE OF EUROPEAN INDUSTRY IN NATO DEFENSE PROCUREMENT." AFTER INITIAL REVIEW IN CONFIDENTIAL

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EUROGROUP STAFF GROUP, UK FORESEES FORWARDING PAPER TO EUROGROUP MINISTERS FOR THEIR MEETING ON EVE OF JUNE 1974 DPC MINISTERIAL. TEXT OF UK PAPER FOLLOWS:

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BEGIN TEXT

THE ROLE OF EUROPEAN INDUSTRY IN NATO DEFENCE PROCUREMENT
1. THERE ARE GOOD REASONS FOR THE RECENT SHARPENING OF NATO'S INTEREST IN A NUMBER OF MAJOR QUESTIONS RELATING TO THE PROCUREMENT OF MILITARY EQUIPMENT. DECISIONS HAVE TO BE TAKEN ON A NUMBER OF MAJOR RE-EQUIPMENT PROGRAMMES WITH MULTINATIONAL IMPLICATIONS. THERE IS THE GROWING REALISATION BY MEMBER COUNTRIES THAT RESOURCES MUST BE USED MORE EFFICIENTLY IF INCREASINGLY SOPHISTICATED DEFENCE EQUIPMET IS TO BE PROVIDED WITHIN DEFENCE BUDGETS THAT ARE INCREASINGLY UNDER PRESSURE: AS A MINIMUM REQUIREMENT WE NEED TO MAKE A RENEWED EFFORT TO STANDARDISE ON EQUIPMENT AT THE SAME TIME, THERE ARE THE PROBLEMS OF BURDEN-SHARING AND, IN PARTICULAR, THE IMPACT OF THE JACKSON/NUNN AMENDMENT.

2. UNDER THE INFLUENCE OF THESE AND OTHER FACTORS, DISCUSSION HAS DEVELOPED WITHIN THE ALLIANCE. STUDIES OF SPECIALISATION WERE INITIATED FOLLOWING A PROPOSAL BY THE NETHERLANDS LAST SUMMER. STANDARDISATION HAS BECOME A MAJOR SUBJECT OF DEBATE IN THE MILITARY COMMITTEE. IN A PAPER CIRCULATED ON 12 FEBRUARY (PO/74/16), THE SECRETARY GENERAL PROPOSED THAT THE NATO CONFERENCE OF NATIONAL ARMAMENTS DIRECTORS (CNADS) SHOULD BE DIRECTED TO PREPARE, WITH THE ASSISTANCE OF OTHER BODIES, A PROGRAMME AIMED AT BRINGING "THE OVERALL ALLIANCE EFFORT IN MILITARY TECHNOLOGY INTO A CO-ORDINATED AND EFFICIENT WHOLE", FACILITATING THE DEVELOPMENT AND MAINTENANCE OF A HEALTHY AND EFFICIENT OVERALL ALLIANCE ARMAMENTS DEFENCE INDUSTRY", AND REMOVING "ANY ECONOMIC, FISCAL, MONETARY OR OTHER BARRIERS TO THAT GOAL". ON 25 MARCH, THE ASSISTANT SECRETARY GENERAL FOR DEFENCE SUPPORT PROVIDED FURTHER BACKGROUND AND ELABORATION OF THE SECRETARY GENERAL'S PROPOSALS IN HIS PAPER DS/ASG(74)76, AND THERE WERE DISCUSSIONS IN THE COUNCIL ON 10 APRIL AND IN THE CONFERENCE OF NATIONAL ARMAMENTS DIRECTORS LATER IN THE MONTH. THE ISSUES CONTINUE TO BE OF CONCERN.

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3. THERE ARE SPECIFICALLY EUROPEAN ASPECTS TO BE CONSIDERED, AND DISCUSSION IN THE EUROGROUP THEREFORE SEEMS APPROPRIATE. THE FOLLOWING NOTES MAY BE USEFUL AS A STARTING POINT FOR SUCH A DISCUSSION: THEY STEM FROM THE REMARK IN DS/ASG(74)/76 THAT "IT IS STRATEGICALLY IMPORTANT TO NATO AND ECONOMICALLY IMPORTANT TO ITS MEMBERS THAT THERE BE EFFECTIVE AND TECHNOLOGICALLY SATISFYING MULTI-NATIONAL PARTICIPATION IN ARMAMEMENTS DEVELOPMENT AND PRODUCTION".

4. THE STRENGTH OF THE ALLIANCE DEPENDS IN LARGE MEASURE ON US EQUIPMENT AND TECHNOLOGY, AND IT WOULD MAKE NEITHER MILITARY NOR ECONOMIC SENSE FOR EUROPEAN MEMBER COUNTRIES TO CUT THEMSELVES OFF FROM THESE. EUROPE HAS NEITHER THE

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FINANCIAL NOR THE TECHNOLOGICAL RESOURCES TO BE COMPLETELY
SELF-SUFFICIENT, AND MUST BE DEPENDENT ON THE US FOR CERTAIN
KINDS OF EQUIPMENT EITHER BY DIRECT PURCHASE OR MANUFACTURE
UNDER LICENCE. BURDEN-SHARING AND WIDER POLITICAL CONSIDERATIONS
POINT IN THE SAME DIRECTION.

5. ON THE OTHER HAND, A HEALTHY EUROPEAN DEFENCE INDUSTRIAL
BASE IS ESSENTIAL IF THE EUROPEAN MEMBERS OF THE ALLIANCE
ARE BOTH TO PULL THEIR WEIGHT AND TO BE SEEN TO DO SO.
IT IS ALSO AN ESSENTIAL INGREDIENT OF ANY ARRANGEMENTS FOR
EUROPEAN DEFENCE CO-OPERATION THAT MAY EMERGE IN THE LONGER
TERM. WHILE WE MUST AIM AT GREATER ALLIANCE-WIDE EQUIPMENT
STANDARDISATION WE CANNOT HOPE TO ACHIEVE BOTH THIS AIM
AND THAT OF MAINTAINING A EUROPEAN INDUSTRY UNLESS WE ALL
RECOGNISE THAT THERE MUST BE TYPES OF EQUIPMENT ON WHICH ALL
THE ALLIES NEED TO "BUY EUROPEAN". QUESTIONS THAT MIGHT
BE EXPLORED INCLUDE:

A. WHETHER THE AMERICANS, FOR THEIR PART, ARE PREPARED TO
RECOGNISE THIS;

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C O N F I D E N T I A L SECTION 2 OF 2 USNATO 2832

LIMDIS

B. WHETHER AN AGREED EUROGROUP VIEW CAN BE REACHED ON BROAD
EQUIPMENT AREAS IN WHICH EUROPEAN CAPABILITIES FOR DEVELOPMENT
AND PRODUCTION SHOULD BE MAINTAINED, AND IF SO HOW THE FRENCH
SHOULD THEN BE CONSULTED;

C. WHETHER THE EUROPEAN MEMBERS OF THE ALLIANCE CAN, IN
THE INTERESTS OF EUROP'S OWN DEFENCE INDUSTRIAL DEVELOPMENT,
AGREE TO THE NEED TO DEVISE PRACTICAL MEANS OF RATIONALISING

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OR CO-ORDINATING THEIR POLICY ON THE EXTENT OF EUROPEAN PROCUREMENT
OF SELECTED US EQUIPMENT.

AS WAS AGREED IN THE EUROGROUP STATEMENT OF 'PRINCIPLES OF
EQUIPMENT COLLABORATION' IN DECEMBER 1972, IT IS OF THE FIRST
IMPORTANCE TO INCREASE SUBSTANTIALLY THE EXTENT AND DEPTH
OF EUROPEAN COLLABORATION IN THE PROCUREMENT OF DEFENCE EQUIPMENT.
IN PRACTICE, IT IS GENERALLY TOO LATE TO SHARE DEVELOPMENT
WORK ON A PROJECT ONCE THE DEVELOPMENT STAGE HAS BEGUN, AND
THE OPPORTUNITIES FOR EXTENDING COLLABORATION OF THIS KIND
WILL ARISE ON SYSTEMS THAT WILL ENTER SERCICE DURING THE 1980S:
THE PROCESS CAN ONLY BE A GRADUAL ONE. HOWEVER, COLLABORATIVE
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PROJECTS SO FAR UNDERTAKEN IN EUROPE HAVE NOT MADE THE CONTRIBUTION
TO STANDARDISATION THAT MIGHT HAVE BEEN EXPECTED: DEVELOPMENT
OF SYSTEMS BY TWO OR THREE OF THE LARGER EUROPEAN POWERS
HAS NOT SO FAR LED TO THEIR WIDER ADOPTION BY THE SMALLER
COUNTRIES IN THE PRODUCTION PHASE. THE EUROGROUP MIGHT USEFULLY
CONSIDER THIS PROBLEM BOTH:

D. IN GENERAL TERMS-FOR EXAMPLE, HOW MIGHT ALL EUROPEAN
MEMBER COUNTRIES BE INVOLVED MORE EFFECTIVELY IN EUROPEAN
DEFENCE EQUIPMENT COLLABORATION, AND WHAT MIGHT BE DONE TO
MAKE THIS MORE ATTRACTIVE FOR THOSE WITH SMALLER DEFENCE
INDUSTRIES?

AND E. IN RELATION TO PARTICULAR EQUIPMENTS WHICH MIGHT
BE MORE GENERALLY ADOPTED.

6. DISCUSSION IN THE EUROGROUP MAY WELL IDENTIFY OTHER FACETS
OF THE PROBLEMS THAT HAVE BEEN HIGHLIGHTED ABOVE, OR OTHER
AREAS OF CONCERN. END TEXT MCAULIFFE

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